



# JPMorgan European Discovery (JEDT)

JEDT's stock picking delivers strong performance

Update

19 March 2026

## Overview

JPMorgan European Discovery Trust (JEDT) is a high-conviction portfolio of c. 70 European smaller companies, targeting capital growth across a broad range of sectors by focusing on under-researched businesses with the potential to grow faster than many large companies.

JEDT's current management team took the helm in March 2024 and while JEDT's fundamental proposition remains capital growth from European smaller companies, the team have refined the process and their focus in primarily on stock picking, which analysis shows has been the main source of outperformance under their tenure. Running a 70-stock portfolio means that even the largest positions are between 2% and 3% of NAV, which is a sensible risk control in an asset class that can be volatile. Additionally, many larger holdings are not just a mirror of the benchmark, and therefore the portfolio has a high 'active share'. The refreshed approach has delivered strong returns, and since the beginning of March 2024, JEDT's NAV and share price have risen 27% and 32% respectively, outperforming the benchmark's 19% (figures to 16/03/2026).

Over the same period, JEDT's discount has narrowed to c. 8%, assisted by the above-mentioned strong performance combined with a steady approach to share buybacks. Whereas the trust's own discount is therefore relatively narrow, the team argue that European small-caps are at a valuation discount to large-caps, which undervalues their greater potential for growth, and there have been long periods in history when small-caps have traded at a premium.

JEDT currently yields 2.2%. JEDT primarily targets capital growth and the managers are not constrained by an income target, with the dividend policy to pay out substantially all revenue each year.

## Analyst's View

European equities have quietly been gathering momentum for some time, but it was really 2024 into 2025 that saw this rise to prominence, with strong positive inflows into European equity funds indicating a shift in sentiment among global investors. Although relatively low European equity valuations have certainly played a role in this renewed enthusiasm, there has also been a change in sentiment to Europe's potential from a domestic perspective, with PMIs for industrial and services businesses turning a little more positive, together with signs of better consumer confidence. And Germany's significant spending plans for infrastructure and defence have also boosted sentiment. 'Europe' is of course a complex patchwork, but at a high level these factors have come together to create a more constructive environment. Small-caps generally, and JEDT's portfolio specifically, tend to have a more domestic bias than some of Europe's mega-caps, and thus these factors lead to a more constructive environment for small-caps.

As is often the case during the first wave of a recovery, money tends to chase liquidity, for which read 'large-caps', which have seen the majority of flows. But recently the JEDT team report that there is increased interest in their small-cap mandates, squaring with the domestic bias and the very low valuations that small-caps continue to trade on. Consequently, we think that, even with the very strong performance recorded by JEDT recently, the environment remains constructive for European small-caps and JEDT looks extremely well-placed to capture the potential.

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### BULL

Strong performance has come from a variety of stocks and sectors

European small companies are under-owned and arguably undervalued

High-conviction portfolio is balanced by sensible risk controls

### BEAR

Smaller companies can be more volatile and can suffer in 'risk off' market phases

JEDT uses gearing, which can amplify losses as well as gains

Low dividend yield may not suit some investors



## Portfolio

JPMorgan European Discovery Trust (JEDT) has a high conviction portfolio of c. 70 European smaller companies, targeting capital growth across a broad range of sectors by focusing on under-researched businesses with the potential to grow faster than many large companies. The **Management** team of JEDT describe these as ‘hidden gems’. In keeping with an asset class where individual holdings can be volatile, position sizes are generally 2% or less in absolute terms, although as a high-conviction portfolio, these are very often ‘active’ positions that differ significantly from the index. While the portfolio does flex around the benchmark’s country and sector weightings, these are secondary considerations and the team primarily seek returns from their active stock selection. Their own attribution analysis confirms the success of this approach, and there are no particular sectors inherently more successful than others in the analysis of JEDT’s recent strong **Performance**.

The team’s fundamental approach to stock picking derives from three simple questions: is it a good business? Is the valuation attractive? And is the outlook improving? Rather than having a specific style bias, this approach leads to continual evolution of the portfolio in different market conditions, although in asking questions such as ‘is it a good business?’ factors such as return on capital—strong and visible cash flows—typically associated with ‘quality’ are usually favoured across the portfolio. Further, a focus on valuation and an improving outlook are likely to result in lower than market valuation and potentially higher forecast earnings growth.

Stocks selected for their value characteristics will typically conform to themes such as a company-specific catalyst for recovery, or a wider market-related cyclical recovery, and in the team’s view the most important measure of value is cash generation. They see this as a tangible measure of a company’s performance rather than a financial metric that can be manipulated. Momentum stocks on the other hand tend to have characteristics such as a fast-growing end market, an acquisition strategy or a disruptive technology. This process means JEDT has relatively high portfolio turnover, with the team having a rigorous sell discipline and constant reassessment of whether portfolio holdings have met their objectives, or are experiencing deteriorating momentum, for example.

Although the team is primarily focused on stock picking, they note that various factors have created a very constructive environment for European equities generally, and perhaps even more so for small-caps. One generalisation that can be made about small-caps is a bias to domestic economies, or domestic Europe as a region. The team point to the fact that purchasing managers’ indices (PMIs) for industrial and services businesses are turning more positive, increasing the likelihood of capital spending and investment, and alongside that

consumers are showing greater signs of confidence. Smaller companies often benefit when larger companies are investing for growth, which improving PMIs hint at, and clearly an improving outlook for consumer spending can also directly or indirectly be positive.

A good example of a stock that has performed extremely well over the last year is top ten holding Bilfinger, the German industrial services business. The team liked it because it presented an interesting value proposition when a new management team sold its loss-making construction business to focus on industrial services. It provides a wide range of sectors, and one of its great success stories of recent years has been in helping its customers introduce more energy efficient manufacturing processes, which became a big focus for European industrials as a result of the energy price rises in 2022. Although much of the success is domestic, Bilfinger is actually an international business, and helps highlight that small companies can still have a broad reach and a wide variety of customers.

Another successful holding for the team is Austrian catering and events business DO & CO. A key driver of its performance has been its unique offering of fresh, as opposed to frozen, food to airlines. This has been a successful strategy when airlines are keen to push prices on their premium seats higher and have been seeking ‘value add’ that can help to justify those price rises to passengers. This is a really good example of a niche business that shows that on top of the main reason for owning small-caps, i.e. their high growth potential, the small-cap universe is full of unique, or idiosyncratic, investment opportunities that can act as diversifiers in a wider portfolio.

German speciality chemicals business AlzChem has been a standout performer. This business serves a variety of sectors such as agriculture, nutrition, pharmaceuticals and renewable energy, but the team have identified one of the most important growth drivers as the company’s human nutrition division, which provides various functional sports products including protein supplements.

Another strong-performing stock pick, Swiss company Accelleron, is a good example of how a broad investment theme, in this case both energy efficiency and AI spending, can manifest itself in many niche areas. Accelleron de-merged from Swiss industrial giant ABB in 2022 and specialises in superchargers for marine engines. Its equipment can significantly improve the efficiency of engines and, more recently, it has seen very strong growth from applying the same technology to power backup engines for data centres. This is also a nice example of how opportunities in small-caps can sometimes arise from larger businesses de-merging divisions. Shareholders of larger businesses who receive shares in a much smaller business in such a transaction may not be the natural owners of a small-cap stock, and this can create opportunities for a smaller companies’ manager to step in.



Overall, JEDT takes a careful approach to investing in high-conviction small-caps, by not pushing the position size of any one company too high and seeking returns from across multiple sectors. As the examples above illustrate, this is a portfolio of individual company ideas, many of which are capable of producing the kind of idiosyncratic returns that help a small-cap portfolio act as a diversification tool. As is often the case, bigger-picture themes can also be important. As the team notes, economic indicators are improving, and seem to favour more domestically orientated stocks that form the backbone of the small-cap universe. On top of that, first, European equities remain at reasonable valuations, second, European small-caps are at a discount to large-caps that may be unwarranted given their additional growth potential, and third, while investors have definitely begun to pay more attention to, and invest more money in, European equities, flows into small-caps have only very recently begun to pick up, meaning there is plenty of potential for those low valuations to revert to long-term averages.

## Gearing

JEDT is currently geared 5%, close to the long-term average. JEDT’s formal policy on gearing is to allow a range of between 20% cash and 20% net geared. Decisions around gearing are made based on the team’s fundamental view of the portfolio rather than to time markets.

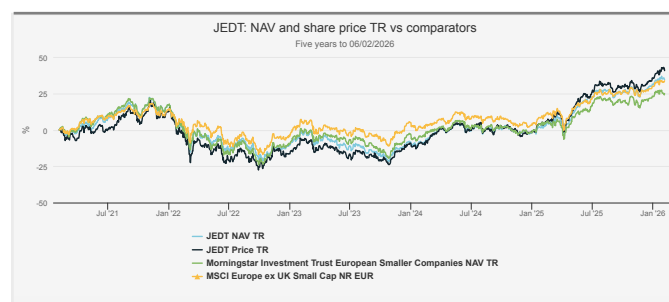
## Performance

Over the last five years JEDT has delivered NAV and share price total returns of 29% and 35%, compared to the peer group’s equivalent figures of 18% and 20%. The benchmark MSCI Europe ex UK Small Cap Index’s total return for the same period is 26%. Small-caps have lagged large-caps over this period, with the MSCI Europe ex UK recording a total return of 55%, which helps to explain why despite positive performance small-caps remain at a wide discount compared to large-caps. More recently, over one year, small-caps have begun to outperform, with the small-cap index’s 13% total return ahead of the large-cap’s 12%, with JEDT’s NAV total return of 19% comfortably ahead of both. Figures are to 16/03/2026.

Recent performance has probably been assisted by some positive macro factors, discussed in the **Portfolio section**. But the team look to generate returns primarily through stock picking and tend not to take big sector bets, taking the view that good returns can come from a variety of sectors. Attribution analysis supports this, with the strongest recent performers coming from a range of sectors. German industrial services business Bilfinger, discussed in the **Portfolio section**, was one of the biggest contributors in 2025, along with stocks such

as Italy’s gaming and lottery business Lottomatica and Germany’s AlzChem, which is a broad based chemicals business seeing strong growth. These are just three examples that help illustrate that returns can come from a great variety of sources, and as such small-caps provide not only the potential for faster growth and therefore higher performance, but also provide an alternative, or idiosyncratic, source of returns and can form part of a portfolio diversification strategy.

**Fig.1: Five-Year Performance**

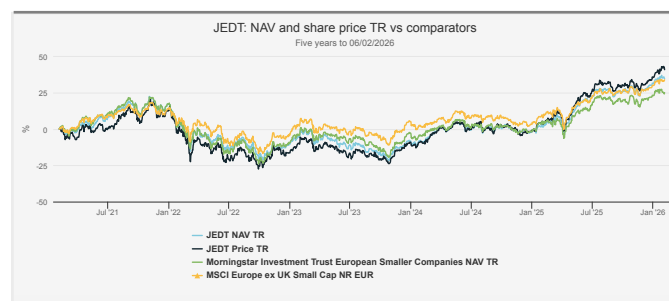


Source: Morningstar

**Past performance is not a reliable indicator of future results.**

As part of its approach to placing limits on a persistent **Discount** developing, JEDT has a conditional tender offer in 2029 that is triggered if there is underperformance compared to the benchmark in the five years to 31/03/2029. The NAV total return since the start of the measurement period, on 31/03/2024, is 27%, ahead of the benchmark’s 19%. Although not part of the performance measurement mechanism, it’s worth noting that JEDT’s share price total return over the same period is 32%, with the discount narrowing significantly. The start of the measurement period also approximately coincides with the beginning of the current management team’s tenure, so it’s a good way to track the success of their approach.

**Fig.2: Performance Measurement Period To Date**



Source: Morningstar

**Past performance is not a reliable indicator of future results.**



## Dividend

JEDT's current yield is 2.2%. The trust pays dividends twice yearly and the board's policy is to pay out substantially all revenue received in the year. The primary objective of the trust is capital growth and the managers are not given any revenue targets. Therefore the dividend can be considered as a by-product rather than a primary objective.

As a result, JEDT has not always increased its dividend, and the relatively large increase in dividends in the previous financial year, ending 31/03/25, shouldn't be seen as indicative of a trend. In this specific case, the increase was a function of the active share buyback, which reduced the number of shares on which revenue already earned in the year was paid. JEDT has approximately a year's worth of revenue reserves and therefore the board has scope to smooth the impact of the variable underlying revenue.

## Management

JEDT has been co-managed by Jules Bloch, Jack Featherby and Jon Ingram since 01/03/2024.

Jules Bloch, Executive Director, is a portfolio manager in JPMAM's European small-cap specialist investment team and currently manages a number of European small-cap mandates, both in fund structures and in segregated mandates, including the Europe Dynamic Small Cap Fund. An employee since 2017, Jules was previously an investor analyst within JPMorgan Private Bank. He holds a master's in management from the EDHEC Business School and a Diploma in Accounting and Finance from the London School of Economics and Political Science. He is a CFA charterholder.

Jack Featherby, Executive Director, is also a portfolio manager in JPMAM's European small-cap specialist investment team and currently manages a number of European small-cap mandates, both in fund structures and in segregated mandates. Jack manages the c. €500m Europe Sustainable Small Cap Equity Fund, which has outperformed its benchmark since its launch in December 2019. Jack has been with JPMAM since 2018 and previously held merger and acquisitions advisory roles with Rothschild and Wells Fargo. Jack holds an M.Eng in Materials, Economics and Management from the University of Oxford and is a CFA charterholder.

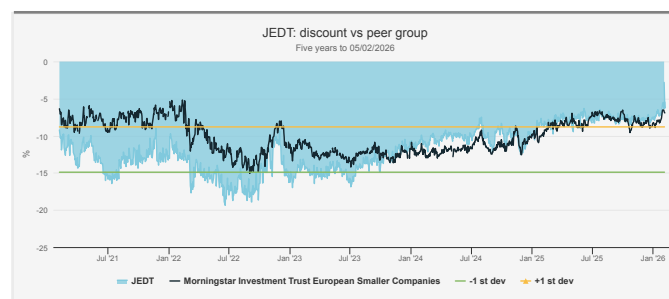
Jon Ingram, Managing Director, is head of JPMAM's Unconstrained team. He joined the firm in 2000 as a graduate trainee. Jon has a strong long-term track record managing the c. £800m JPMorgan European Dynamic Fund, which is an unconstrained fund that, unlike JEDT, invests across the market-cap spectrum.

The team have numerous tools and resources available to them, and JPMorgan Asset Management has a large global team of analysts covering over 2,500 companies, together with other specialists such as data scientists and ESG specialists who can furnish them with decision-making tools and information, but the ultimate judgement on what companies to own rests with the team. The value, momentum and quality process that informs the team's stock picking is well established at JPMAM, and is used as part of the strategy for several other investment trusts, including JPMorgan European Growth & Income (JEGI).

## Discount

JEDT's discount, 8%, is narrower than the five-year average of 12% and similar to the peer group average of 7%. At time of writing global stock markets are unsettled by the military action in Iran, and this has had a knock-on effect on discounts, which can be seen in the chart below. Nevertheless JEDT's discount is narrower than it has been and an important factor is that JEDT's strong performance over the last year, ahead of benchmark and index, has been against a more positive backdrop for European equity investing, with investor sentiment turning more positive and signs of more money flowing into European equity funds.

Fig.3: Discount



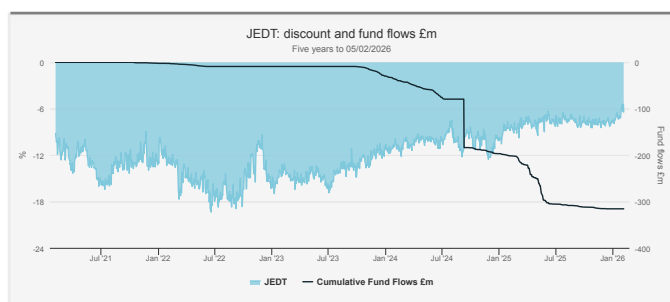
Source: Morningstar

The other element that has likely contributed to JEDT's discount narrowing is the active approach to buying shares back. The chart below plots the discount against 'fund flows', which are traced by the black line. This is a cumulative total of share issuance and share buybacks in £m, with the downward slope indicating shares are being bought back. JEDT has steadily bought shares back since late 2023, and in addition executed a tender offer in late 2024, indicated by the vertical drop in the black line. Further, a large part of the buyback in 2025 was aimed at removing activist investor Saba from the share register. While the interaction between buybacks and discounts can be complex, charting the two in this way helps us to visualise how the two interact.



As a further backstop, JEDT has a conditional tender offer mechanism. Should the NAV total return underperform the benchmark in the five years to 31/03/2029, a tender offer for 15% of shares at a 2% discount to NAV (less costs) will be implemented. In the **Performance section** we look at how JEDT has performed from the start of this period to date.

**Fig.4: Discount And Fund Flows**



Source: Morningstar

## Charges

JEDT's ongoing charges figure (OCF) of 0.83% (calculated at 30/09/2025) compares to the AIC European Smaller Companies peer group average of 0.88%.

The OCF above accounts for JEDT's recently revised management fee, introduced from 01/04/2025. JEDT's management fee is a tiered structure, with 0.70% on the first £300m of net assets and then 0.65% above £300m. With net assets currently c. £620m, this blends to a fee of 0.67%, although this figure will move up and down as net assets change and should be treated as indicative rather than absolute.

The previous fee structure was a straightforward 0.75% on net assets, and the new fee structure results in approximately a 10% reduction, based on our indicative figure above.

## ESG

JEDT is assigned an average rating for ESG from Morningstar, using portfolio analytics to compare it to its entire database of European smaller companies equity funds. JEDT is not marketed as an ESG product.

The team conforms to JPMAM's integrated approach to ESG, treating financially material ESG factors as integral to investment decisions alongside other factors, with over 2,500 companies globally covered by the firm's checklist of 40 questions, which aims to capture consistent quantitative data on ESG factors.



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